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THE MOTION PICTURE INDUSTRY AS A BASIS FOR BOND FINANCING

HALSEY, STUART & CO.
Incorporated

WONDERLAND'S PORTAL

From Broadway to Bagdad—

the craving for entertainment and relaxation is universal. The Movies' amazing growth rests on that instinctive human desire—almost as basic as the demand for food and shelter.

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THE MOTION PICTURE INDUSTRY AS A BASIS FOR BOND FINANCING

MOTION PICTURES, meeting at popular prices the universal demand for recreation and amusement, have quickly become an essential part of modern living. People everywhere look to them for their relaxation, their entertainment, and increasingly for their general information and education. Without doubt the "Movies" are today one of the best known of all things American, both in this country and abroad. And yet the great Motion Picture Industry back of the movies—now a major ranking industry in the United States—has until very recently been comparatively unknown in its investment aspects.

It is time that the American people, who know and appreciate their "Movies" so well, should, as investors, become better acquainted with the Motion Picture Industry, its tremendous proportions, its financial structure, its prospects. And as the investor goes back-stage, literally "behind the screens," to examine this vibrant new industry which makes possible his favorite form of recreation and education, he will not only find an industry of much larger dimensions than he anticipated, but one which is much more efficient, much better integrated, and more thoroughly seasoned than he could have imagined.

The motion picture industry has grown to its present rank among the great industries of the United States in a brief period of thirty years. But more surprising than even that rapid growth is the fact that in little more than one generation it has developed into a well-knit, efficiently organized industry.

Any critical appraisal of the motion picture business today will bring out the fact that it is an industry already quite thoroughly "in line" with the best methods of industrial organization and technique. While it is a relatively new industry, it is nevertheless, a mature industry. And while it is still growing tremendously, its present development is being achieved along lines closely paralleling the expansion of our great veteran industries.

The integration of manufacturing, wholesaling, and retailing is already well advanced. This condition is not confined, as in some industries, to just one all-dominating corporation, but at least a half dozen of the leaders in the motion picture field are now established as complete units of operation.

Very effective trade associations have been organized in this industry. It occupies an advanced position regarding public relations. It ranks high in its success in the arbitration of disputes.

The Motion Picture Industry as a Basis for Bond Financing

The motion picture industry has stabilized itself and won much prestige in recent years through its progressive theatre building program. The big companies have always been strong in earnings, and now their asset situation has been much strengthened. Real estate, in the form of substantial theatres and office properties bulks large in the typical balance sheet. In fact the motion picture concerns bid fair to become among the most extensive chain owners of business locations in the whole country.

In the production phase of this industry, standardized methods have been established; modern systems of cost control are the rule; conservative policies regarding depreciation are in vogue; film inventory values, based on the cost of producing pictures, are written off rapidly after each release date. And backing up all this is the present program of high-grade research into the economic as well as the mechanical problems of future development.

A GROWTH CHART OF THE INDUSTRY

If a comprehensive chart could be made to depict the growth of the motion picture industry, all of its graphic lines would start near the zero point about 1896, and rise to points of impressive magnitude by 1926.

The line representing motion picture theatres, for instance, would show approximately 20,000 of these buildings in the country at the present time, while in 1900 there were practically none devoted to pictures exclusively.

Employment figures for this young industry would show that in 1926 more than 350,000 persons found work in its various branches, whereas in 1900 only a few venturesome spirits had dared to think of motion pictures as a sole source of income.

Our chart would show, as well as possible, that the manufacture of motion picture films, which was close to the zero point in 1900, now exceeds 1,250,000,000 feet per year; consumes, incidentally, more silver in their manufacture than is used by the United States Mint; and dominates the film markets of the world.

The invested capital in the motion picture industry was also insignificant in the early years, but by 1926 the investment totaled a billion and a half dollars.

HISTORICAL ASPECTS

The "living picture" had been foretold and its coming cherished since before the Christian era. Early Chinese literature has frequent references to it. In medieval times a most enthusiastic prophet was Italy's great artist, Leonardo da Vinci.

Even the basic principle—"persistence of vision"—upon which the motion picture depends for its effect of continuity, had been known and commented on for centuries. As early as 1824 Peter Roget (better known as the compiler of his famous "Thesaurus") did some precise work in applying this law of human sight.

But many significnat discoveries had to be made in widely divergent fields, and many devices were yet to be perfected before the genius of the late nineteenth century could tie them all together and bequeath to the fortunate people of the twentieth century a successful motion picture. Photography had to be perfected by men like Daguerre and Niepce. Engineering difficulties had to be solved by such experimenters as

Dr. Plateau of Ghent, and Franz Uchatius of Austria. The electric motor was to be needed; many things in modern chemistry had to be understood. No wonder the people of the world waited long for their motion pictures, and no wonder they received them with great enthusiasm when at last they became a reality.

It is interesting to note what a variety of unrelated purposes inspired progress in the one line of speed photography. A Frenchman named Sellers, for instance, contributed much through his efforts to get a living picture record of his two small sons performing such commonplace acts as driving nails. On the other hand, Leland Stanford, in America, sponsored a still greater advance because he was willing to spend money without limit to prove, in support of a now famous bet, that all four feet of a racing horse were completely off the ground at certain phases of its stride.

From Roget to Edison there was no let-up in the search for effective devices that would present pictures to the eye in rapid succession. Some worked with parallel revolving discs, others with the hollow cylinder, and still others with crude mechanisms resembling the paddle-wheel. In each case a series of pictures was so placed that when the mechanism revolved they would be seen in quick sequence through prepared slots, or peep-holes. These early impractical motion picture machines were known by the various names, Phenakistoscope, Zoetrope, and Kinematoscope.

EDISON AND EASTMAN IMPORTANT FIGURES

But the practical motion picture had to await Thomas A. Edison's development of the electric camera in 1888, and the perfection by George Eastman of a flexible film, the same year, which would feed rapidly both through the camera and an exhibition machine. A remarkable coincidence is that neither of these men knew of the work of the other, yet within a few months their contributions had been joined in the production of the first moving picture on modern principles. Still this was only a one-man "peep-show" and eight years more were to elapse before a satisfactory projector was developed and an actual screen performance could be shown to an excited audience in the City of New York.

The year of 1896, then, is generally regarded as the beginning of the business of motion pictures. Prior to that the penny arcades, with their little "peep-shows" had been the only commercial use made of this principle. It is significant that the people had up to that time believed that this would be its final use. Now quickly followed the appearance of "nickelodeons," and the screen production of novelty pictures.

The real business of the motion picture had to await still another milestone, however, before it could give promise of becoming a first-rate industry. That was the development of another brand new idea—the scenario—telling stories in picture form. Like all new ideas, it came slowly. First there were little skits and episodes, but gradually the exhibitors and producers sensed the great fact that it would be narratives, plots, and events, which would take with the public in a big way and make the motion picture a commercial success. But all this required another ten years, during which time the movies were used principally to supplement other forms of entertainment. Then, the first "feature" pictures were produced, and the moving-picture immediately took its place as a complete entertainment on its own merit.

A THREE-PHASE INDUSTRY

A Representative Production Plant
Hollywood, California

The Industry Has World-Wide Distribution
American Film Exchange in Warsaw, Poland

The Theatre is the Retail Outlet of the Industry
Opening Week Crowd, Roxy Theatre, New York (© U. & U.)

Well Organized and Integrated

ORGANIZATION OF THE INDUSTRY

THE MOTION PICTURE INDUSTRY resembles in its organization that of most typical American industries. There are the three phases of production, distribution, and exhibition, which correspond, roughly, to the manufacturing, wholesaling, and retailing activities common elsewhere. Until quite recently these various services were rendered by more or less independent concerns specializing in their respective fields. But economies of production, and the theatre demand for an all-year supply of pictures of standard trade-mark quality have tended to force consolidation in the production end. Exhibitors, too, have found great economy in the maintenance of theatre "chains" for the routing of films and large-scale buying. The result is that we now have fully a thousand different theatre groups in the United States which represent at least one-half of the seating capacity of the country.

A still further integration of the industry became inevitable as the larger of these chains of theatres felt the need for a dependable supply of high-grade pictures, and secured an amalgamation with suitable producing organizations. Similarly, at the other end, leading producers required an assured outlet for their immense producing programs. Hence there has developed in the industry nearly a score of these "complete" producing-distributing-exhibiting organizations, which represent perhaps two-thirds of the motion picture business in the United States, and constitute a well-balanced and seemingly well established state of competitive equilibrium.

Just as the consolidation of the motion picture industry has tended to parallel that in other well-developed industries of the nation, so has its organization into trade associations. In fact, the motion picture industry has been more successful in this line than has almost any other major industry.

Five years ago, as is already well known, the forward-looking motion picture companies got together and organized the Motion Picture Producers & Distributors of America, calling Will H. Hays, former Postmaster General of the United States, to be the president of the association. Mr. Hays has proved a genius of the first order and his organization has accomplished great things for the motion picture industry. Its chief activities have been, (a) improvement of public relations, (b) promotion of business comity within the industry, (c) encouragement of better business practice, such as standardized budgets, uniform cost accounting, uniform contracts, and the arbitration of disputes.

The arbitration system between buyer and seller in the motion picture industry has, in fact, become so successful that it is now being studied widely as a model for other lines of enterprise. The public relations work of the Hays Association is widely known and very deservedly so. No industry has ever "gone to the people" so effectively. One of the principal aims of its public relations work has been to improve motion picture standards and service to the public.

The Hays regime in motion pictures has been so eminently successful that the member corporations recently underwrote the program for another term of ten years. Motion Picture Producers & Distributors is an entirely voluntary organization. Its membership has grown from nine at the time of organization to twenty-four at the present time, representing 90% of the producing end of the industry.

90 Per Cent of the World's Films Are Produced in the United States

The Modern Studio is in Reality a Great Industrial Plant

THE CAMERA SPEAKS
A UNIVERSAL LANGUAGE

PRODUCTION

IN MOTION PICTURE production America is not only an outstanding leader in the world today, but dominates the world market as in practically no other line of enterprise. We supply 90% of the motion pictures consumed abroad, reaching more than seventy foreign countries. In return, this foreign market contributes as film rentals something like $75,000,000 per annum, estimated by some authorities to be approximately 25% of the total income of the production end of the American industry. The importance of this immense foreign market as a stabilizing element can hardly be over-estimated, and the prospects for future growth which it entails are entirely beyond present comprehension. The United States is practically the only country at the present time whose market possibilities have even been charted, while competition abroad, as will be pointed out later, is not the fearsome spectre which it is in many lines.

Approximately 12% of the American motion picture films are produced in New York City and environs; the rest is practically all a product of Southern California, principally of the Hollywood community. The great concentration of film production within that small geographical area is a distinctive feature of this industry. But that concentration constitutes the best assurance for the United States that its present paramount position in world picture production will be maintained indefinitely. The history of other great industries, such as pottery, meat packing, and steel, have demonstrated how relatively immovable a great production center can be when once the specialized labor, the production equipment, and the marketing habits of the people have become centered in, and directed toward, some one locality.

HOLLYWOOD—WORLD CENTER OF THE INDUSTRY

Hollywood now holds a larger share of the motion picture talent, of producing paraphernalia, and enjoys a more complete dominance in this industry than ever was experienced by Trenton in pottery, Pittsburgh in steel, or Chicago in meat packing.

It was not mere chance that established the motion picture industry in Southern California. War conditions, it is true, favored American production in the early years, and hence indirectly the Hollywood area. But the actual localization of production there came through a process of pure competitive selection in which the geographical advantages favorable to producers in that region literally forced competing directors and their companies to come to California—and Hollywood.

The advantages of dependable sunshine, permitting out-door production without delays, and of great variety in scenery at close range (the ocean on one side, the deserts, mountains and forests in other directions), so that the sequence of almost any picture can be suitably filmed with but little cost for travel—all have militated to establish Hollywood as the center of the motion picture world. Moreover, such natural endowment can never be exhausted by exploitation. Hence the Hollywood advantage is neither imaginary nor ephemeral, and there is no present likelihood of its losing its commanding position, either in America, or for the world at large.

There have been rumors as to great post war competition soon to be expected from

Europe, especially out of Germany and France. But the facts do not warrant any precipitate fears along this line. Both of the above countries have produced good films, and their art work is, in some cases, outstanding. But in neither country, nor in any one country for that matter, save Japan, can local producers find a sufficient theatre market to make sure that they can recoup on production costs for a heavy schedule of feature pictures. Ambitious manufacturers abroad must therefore look to the American market. Yet the American market is pre-empted by American pictures, as good as the world affords. While 425 foreign pictures were sent to this country in one recent year, only six were successful in winning a showing in American theatres.

FACTORY-STUDIOS ARE GREAT INDUSTRIAL PLANTS

Motion picture production does not classify with exactness as a manufacturing process, but it combines elements of what is commonly known as manufacturing, with "assembling." Motion pictures are produced by a process of photographing the scenes and sequences needed to build up an effective story. More and more, this takes place within the walls of great studios where, on one huge "lot," are assembled the large variety of buildings and equipment needed in the manufacture of pictures.

In the early days, because everything in this industry was highly experimental, these studios were more or less flimsy and inexpensive. But now production requirements are so constant, so multifarious and extended, that large substantial buildings of brick and stone have been required to take their places. The visitor today to one of these immense studio-factories finds it laid out along paved streets on an extensive campus. The latest western "plant" of this sort to be erected cost $2,000,000.

The largest buildings on a movie lot are its great enclosed stages—most of them have several—of such large area and height that out-door conditions can be simulated in any "corner," and numerous feature pictures be in process simultaneously. Then there are huge electric plants; laboratories of the most modern sort; carpenter shops big enough to accommodate the hundreds of workers; sculpturing and modeling plants on a factory scale; dressing rooms and bungalows to remind one of a residential suburb; general supply warehouses; administration buildings, etc.

PRODUCTION STANDARDS ARE HIGH

The very high standards of artistry now required in motion picture production, and the immense costs involved, tend to place this business in the hands of large-scale companies—producers who can afford expensive machinery, finance million dollar plants, and carry monthly budgets, as one typical firm does, of as much as $400,000.

The American output of feature pictures is at present about 750 per annum. These will average in length from seven to twelve, thousand-foot reels. Of "short subjects,"—comics, news reels, etc.—there are perhaps two and a half times as many items, but they will average not more than two reels apiece.

The average cost of feature films ranges from $25,000 to $250,000, with the great spectacles which call for historical backgrounds, expensive costuming, and many actors, costing a million or more.

A marked tendency exists among these large companies to run a production schedule of fifty or more strong features per year. This is because they wish to provide as completely as possible for the weekly-release needs of their controlled and client theatres.

The human element plays a large part in picture production, but the following figures on the personnel of a representative organization show that all the workers are not actors, by any means. This particular company gives employment to about 1600 people. Only 62 of these are "stars" and featured players, while 90 are writers, 85 directors and assistants, 55 cameramen. Carpenters, painters, electrical workers, modelers, and wardrobe assistants employed by this firm run into three figures each.

The big problem in motion picture production, as in any type of profitable manufacturing business, is to control costs. This has received much attention in the industry in recent years. A typical "cost analysis" comprehending the expense items of a feature-picture budget will show: Labor, 35% (made up of actors, 25%, directors, cameramen, etc., 10%); Raw Material, 37% (including scenarios, 10%, raw film, 5%, costumes, 3%, scenic sets, 19%); Rent and Transportation, 8%; and Other Factory Overhead, 20%.

THE ECONOMICS OF STAR SALARIES

So much publicity has been given to the high cost of "stars", that one is surprised to learn, from such figures as the above, that the total actor cost (including the stars) of most films runs under 25%. Admittedly it is a big item and has to be watched with the same care as any important cost item in a competitive plant. Delays in picture production must be rigidly guarded against. But time economy is being effected with unusual skill. The production schedule of each picture is minutely blueprinted in advance so that the "shooting" of the various parts may be accomplished with the utmost conservation of salary costs.

Whatever change of emphasis from actor to play which the future may hold, the "stars" are today an economic necessity to the motion picture industry. In the "star" your producer gets not only a "production" value in the making of his picture, but a "trade-mark" value, and an "insurance" value, which are very real and very potent in guaranteeing the sale of this product to the cash customers at a profit. It has been amply demonstrated that the actual salaries (not the mythical exaggerations) paid to motion picture actors, however famous, are determined by the law of supply and demand in exactly the same way as are the rewards of executives in the business world.

The motion picture "star" of great box office pulling power must possess a successful combination of, (1) personality, (2) acting technique, (3) photographic ability, and (4) that un-nameable capacity to grip the public imagination. This combination is rare, and the rewards of its fortunate possessors will doubtless always be among the highest in the business world.

Much of the former uncertainty in picture production has been eliminated. Producers have not only gone into the retail field and thus made sure of a fair "hearing" for their pictures, but the art of production itself has been mastered in a new way. Picture "direction" has become a science, and enough showmanship is now guaranteed for every picture to give it a genuine appeal. Demand has been analyzed and charted so that the "manufacturer" today produces to a relatively known market.

American Films Have World Wide Dominance

Map Shows Percentages Of Total Film Consumption Represented By American Productions

DISTRIBUTION

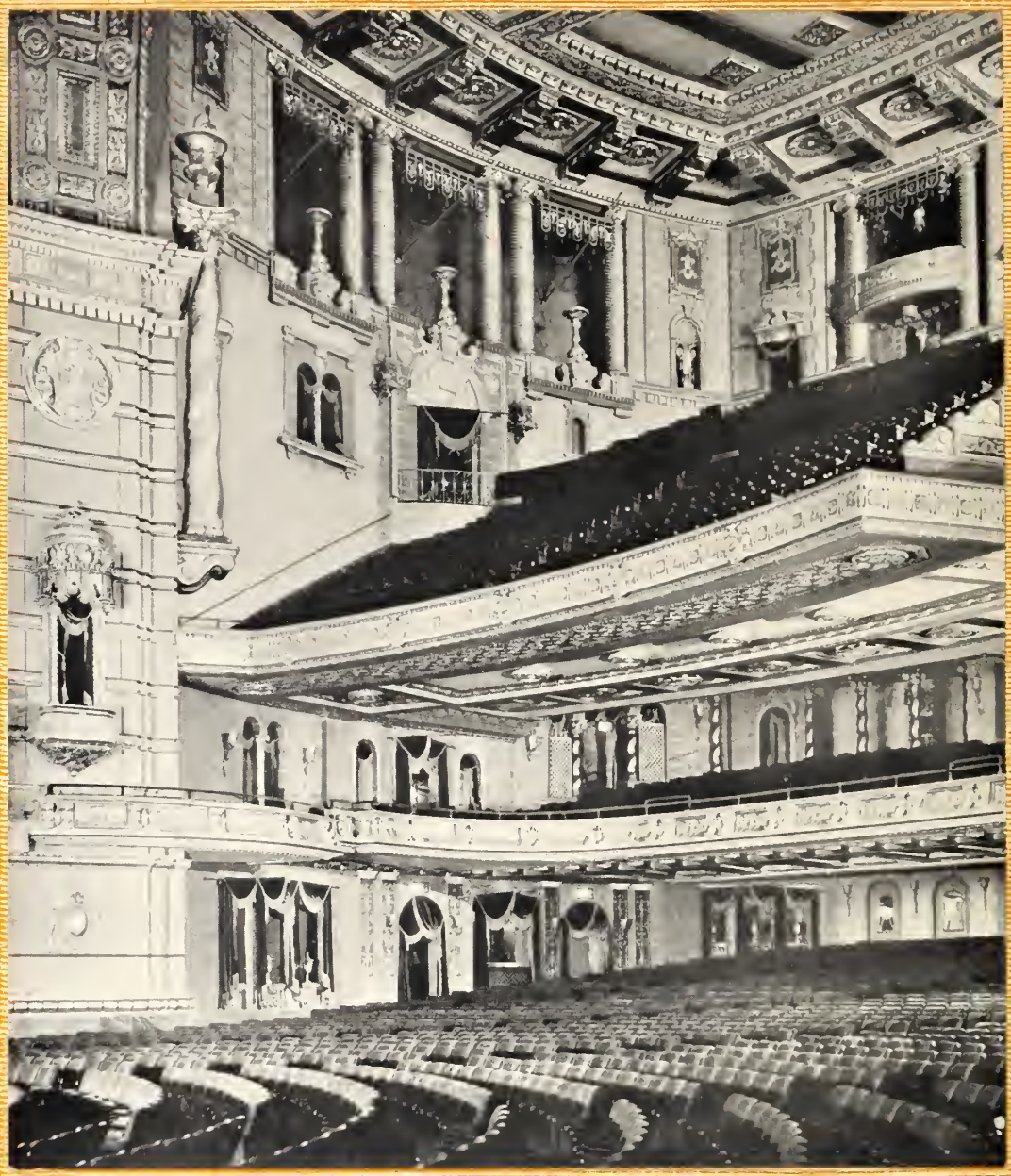
THE DISTRIBUTION phase of the motion picture industry, though overshadowed by the more spectacular nature of film production on the one side, and theatre exhibition on the other, is still a matter of tremendous importance. It is, in fact, of relatively more significance and importance than the comparable jobbing service in other lines of business. Distribution in this industry embraces three important phases: (1) Physical deliveries and redeliveries, including the repair, renovation and replacement of films; (2) The sales work—which is in reality the securing of rental contracts for specific datings, and (3) Advertising—directed to theatres through trade papers, and to the public through posters, newspapers, and magazines.

The production phase of a motion picture is not completed when the first negative is finished at Hollywood. From this negative a large number of "positives", or exhibition films, must be made before there can be any distribution. These positives are printed off in various parts of the world, but principally in New York, which is the distributing center of the industry. Probably 100 positives are made for the average feature film, and these are then consigned with orders to the various exchange cities in the United States and abroad. The film products of a dozen large integrated companies which have both producing and exhibiting facilities are handled through a branch-office arrangement in some 30 or 40 "key" cities. About the same number of "state rights" distributing organizations operate on a national scale, but they usually buy the exclusive territorial rights on films from "independent" producers, and in turn sell exhibition rights to the theatres, either for a flat price or on a percentage basis.

PRODUCT PAID FOR AS DELIVERED

The hard necessity of financing the motion picture industry within itself during its early years tended to force the distribution business to operate on a cash basis. In fact, a great deal of it is, and has always been, on a cash-in-advance basis, with a customary 25% down-payment upon the signing of contracts by theatres for the running of prospective pictures. In any case, the films go out to practically all theatres on a C. O. D. basis, with transportation both ways paid by the exhibitors.

Distribution contacts with individual theatres are made through travelling salesmen out of the district offices, while the more important "chains" are sold direct from headquarters. Rental prices are arrived at in two ways. Bargaining prevails within limits, but it is the custom to apportion the expected revenue from a picture to different areas, and let that determine the rental charge. The distribution of motion pictures is complicated, but it is also made relatively more important than in most industries, by the fact that there are "first-run" theatres which must be served on schedule ahead of the second, third, and fourth-run houses. In fact, the dating and routing of motion picture films requires a very high degree of precise handling. Yet making quick connections and delivering without exception in time for the advertised datings of the films is a standard of performance religiously adhered to in this phase of the industry.



"CATHEDRAL OF THE MOVIES"

Environment and Entertainment

Modern Motion Picture Theatres, through architecture and decoration, provide environment in perfect harmony with high grade entertainment.

Interior View of Roxy Theatre, New York,
© Tebbs & Knell, Inc.

EXHIBITION

No phase of the motion picture industry has shown a more amazing growth in the last few years than the exhibition end. There are several reasons for this. First, the coming of the era of great pictures made it possible for the first time for the theatre manager to charge such admission prices as would permit him to accumulate revenue with which to build suitable "palaces of entertainment." Second, the development of chain theatre groups and the integration of the large motion picture companies brought a higher grade of talent to the problems of theatre management and construction. Third, and as a sequel to this, the launching of a very definite policy of catering to the pleasure of the patrons.

THE "SHOW-WINDOWS" OF THE INDUSTRY

The success of any motion picture "feature" depends to a very large extent upon its opportunity for showing in certain populous centers, and its reception there. Second only to Broadway's treatment of a picture, the thousands of outlying theatre managers are influenced by the acclaim given to new films at their own nearest metropolis. Hence it is now the custom to have a "pre-release" showing at a leading New York theatre for every film of great importance, and a "first-run" showing for all feature pictures at strategic de luxe houses over the whole country. These first-run houses are regarded by the production end of the business as their "show-windows." This is why producers have given so much attention of late to getting control of representative houses in this class. It is plainly imperative that if large production costs are to be compensated for, or profits made, the producers with a heavy schedule of pictures must be able to give them an extensive early showing in these prominent theatres which set the style, so to speak, for the country.

The first-run theatres get their films and are protected in the exclusive showing of them over a specified contract period. Then each picture goes to the second-run theatres according to the terms of their contracts, and so on to the lesser houses, at an ever-decreasing rental charge. American theatres, for the most part, buy their films well in advance of showing.

ANNUAL ATTENDANCE GAIN FORCING EXPANSION

The 20,000 motion picture theatres in the United States at the present time represent approximately two-fifths of the world's total. The number of American theatres has been almost constant in recent years in spite of the fact that the seating capacity of the country has shown a substantial annual increase. The explanation is that the quality and size of motion picture theatres has been improving at a remarkable rate. In ten years the old store-building type of theatre has given place almost entirely to commodious houses of distinctive design and elaborate appointments. This tendency originated among the downtown theatres in the great cities, but the vogue of the new de luxe theatre has now spread to the smaller cities and towns and into high-grade residential sections everywhere.

The Motion Picture Industry as a Basis for Bond Financing

The present seating capacity of motion picture theatres for the nation is estimated at 18,000,000, with the weekly attendance registering somewhat above 100,000,000—close to the total population of the United States. More remarkable still is the fact that there is a 15% to 20% annual gain in motion picture theatre attendance. This phenomenally high percentage increase of business in the picture industry has been made possible in the past by the great improvements in the motion pictures themselves, by continued advances in photography and projection technique, by the development of professional movie acting, and by the new heights of attainment in the art of staging plays for the screen. The prospect for keeping up this patronage increase in the future is very bright, with "talking" movies, color pictures, and stereoscopic effects just beginning to get hold of the imagination of the public.

THE APPEAL OF THE DE LUXE THEATRE

Nothing has done more to enlarge the motion picture theatre audience during the present decade than the new type of theatre construction. This will be written down as the era of the advent of big de luxe motion picture houses. It is certain now that the standard picture theatre in America is to be much more of a real "palace" than prognosticators in the early part of the century could possibly have guessed. The American public has spoken a decided preference for luxury in its houses of entertainment. The old converted store-building theatre cannot compete successfully any more, partly because the new and larger houses can afford to furnish better music and better talent in their entertainment, and partly because they bring to their patrons, of whatever status in life, a few hours each day of something besides entertainment—of genuine luxury in living.

These new attractions of the motion picture theatre and its improved entertainment are not only holding the old type of theatre patrons, but are drawing largely from new groups—the music lovers, the church people, "society"—bringing new throngs to the theatres and creating an irresistible demand for more seating capacity.

New building activities in the motion picture line have been unprecedented for a number of years, still the net gain in seating accommodations is not nearly so great as appears on the surface. This is due to the above mentioned transition in the type of theatres. It is estimated that with the opening of each new "palace" theatre (of large seating capacity), from one to three of the old store type close their doors and revert to former industrial uses.

ANNUAL ADMISSIONS ESTIMATED AT $750,000,000

The present investment in motion picture theatres in the United States is estimated at $1,250,000,000. The current annual building program for the country runs into impressive figures, but much of this is required for the replacement of antiquated "movie" houses. Such impressive investment figures for the industry have been possible because of the fact that the motion picture theatres are dispensing a commodity which the people of America and of the world regard as a necessity in modern living, and which they are willing to buy in large quantities, for cash. The present annual intake of the motion picture box offices in the United States is conservatively estimated at $750,000,000.

Admission charges to the motion picture theatres have gone up markedly along with the increase in the quality of entertainment. Nevertheless they still remain within the reach of the great masses of the people, who have not only shown themselves willing to pay the price of good motion picture entertainment, but to add whatever reasonable surcharge is necessary to provide that luxurious atmosphere so much appreciated in the new picture palaces.

The new theatre building program is practically all of the de luxe type. This is fortunate for the industry. The large theatre is a great economy in operation. Many of the operating costs, such as for supervision, advertising, and film rental, may be not materially higher for a 5,000-seat theatre than for one with but 1,000 seats. There is a limit to size economy, of course, but when due care is given to seat arrangement and acoustics, this limit is not reached under 4,000 to 6,000 capacity in the average metropolitan area.

The de luxe theatre of good location and under able management is a money-maker from the very start. Its opening is an event of importance in the community. Capacity crowds are assured for the first weeks of its operation, and maximum earning power is thus attained at once for this type of investment.

SITE VALUES APPRECIATE

The danger of obsolescence is a matter of prime concern for fixed capital in almost every line of industry. Yet obsolescence is a small risk in the modern motion picture theatre. It is less of a hazard than in most types of manufacturing plants, for instance, where the equipment may go out of date on short notice, with the discovery of new methods. Moreover, the new large movie-house is always built with a regular theatrical stage, so it can handle any type of entertainment for which there may be a demand.

From the investor's standpoint the de luxe type of modern motion picture house is almost invariably in a strong position on the score of appreciating realty values. The modern theatre is located in populous centers where the increment in real estate values must ordinarily be very substantial. Theatre bonds thus have the virtues of other well placed real estate securities, and in addition, because they are sponsored increasingly by the operators of large chains, and by the great producing-distributing organizations of the industry, they take on industrial prestige as well.

It is conservative to say that few commodities of general consumption have come on the market in recent years which the people have bought with such fervor, as they have the product of the modern de luxe motion picture house. That makes the de luxe theatre an investment of high order. It makes it, first, a paying investment; and second, because this demand rests upon an insistent human desire for entertainment, and upon a universal need for relaxation in these times of strenuous industrial activity, a permanent investment of real quality.

The Modern Motion Picture Theatre

The small theatre is steadily giving way in metropolitan centers to theatres of great size, seating from 3,000 to 5,000 patrons.

LOOKING AHEAD IN THE INDUSTRY

THE PRESENT is reassuring. But what of the future for this great industry which no less an authority than the Director of the United States Bureau of the Budget has ranked as fourth in the whole country, while it is still scarcely thirty years of age? What are the prospects for further expansion? And what is the probability that its present popularity and patronage will be maintained?

Every survey of the situation indicates promising conditions ahead. The fundamental human desire for entertainment, the urgent need for recreation, and for surcease from the dull routine of factory and office, is most certainly not going to diminish greatly in the near future. Moreover, the motion picture will doubtless increase in its ability to compensate for the drabness of modern industrial life.

The early prospects for adding "depth" to motion pictures—the stereoscopic effect—is a good omen for the industry. This alone will increase the interest and usefulness of nearly all films. Color photography as applied to motion pictures is now a reality and will, of course, be exploited on the screen in a way that will help the box office. In addition, this development promises to expand the usefulness of motion pictures in several directions outside the drama, particularly in education, art, and nature-study.

The "slow movie" has proven to have tremendous value outside the realm of entertainment. It is quite sure to become the most effective means for coaching in physical education and athletics. It will certainly have a wide usefulness in all forms of teaching, both in industry and in formal education.

IMPORTANCE OF THE "TALKING MOVIE"

Another pending development, whose importance no one dares even to conjecture, is the talking picture. Two firms have recently perfected the "Vitaphone" and the "Movietone," respectively. The Vitaphone is based upon the principle of synchronizing phonograph records with motion picture projection while the Movietone depends upon the photography of sound. In this case both the sound record and the visual record are carried on the same film and released by passing through the projector. Each of these processes appears to be basically sound and of large potential significance in expanding the service of the films. Their first great usefulness is the capacity to bring the highest grade singing and orchestral music—now available as an accompaniment to the films in only the largest centers—into every theatre of the country.

The "talking" movie will revolutionize the importance of news reels, and the like. It will increase immensely the historical importance of pictures of notable events. Appealing to both the eye and the ear, it will be able to teach history, geography, social relations, and practically every phase of human knowledge in a more effective way than we have known before.

The motion picture has already "introduced" the peoples of the world to each other. The talking movie will make them acquainted. Perhaps no other modern invention or industrial development can do so much to build international good will, and hence for the expansion of international commerce.

The possibilities of the motion picture in education have long been realized by forward-looking people, and during the past ten years the broad foundations for this expansion have been laid. Now, with the added possibilities in "slow" and talking pictures, we seem about ready to reach out in the field of education on a large scale.

Great universities like Columbia and Harvard are inaugurating courses in the use and technique of pictures. Other educational leaders like the Yale University Press are sponsoring "motion picture text-books." Several of the leading dramatic companies are turning out a substantial by-product of educational films; while two or three large companies have been organized to specialize exclusively in this line. One of the most significant of all present efforts is that of the Eastman Kodak Company which is sponsoring an impressive campaign of investigation and research into the problems of popular education through motion pictures.

Many state and city school systems are launching ambitious programs. Ohio, for instance, according to its Director of Visual Education, will require, after September 1927, that all its first class high schools be equipped with picture projectors and material.

FOREIGN TRADE FOLLOWS THE FILM

There are vast uncharted opportunities ahead for the expansion of motion pictures into industrial, governmental, religious, and health work. American export manufacturers, as well as foreign competitors, have been amazed by the tremendous business-building potency of the foreign showing of American pictures. What the people of the world see their screen heroes wear, and eat, and use, they want for themselves. They demand these things at their stores. Business follows the film much more dependably than it follows the flag. Hence the government and industrial leaders are bound to use motion pictures on a vastly larger scale, both for advertising purposes at home, and to carry American goods abroad.

The Red Cross pioneered in the use of motion pictures for health work. Industry has proven their great usefulness in putting over "safety-first" programs and welfare work. Now comes the American College of Surgeons with the announcement that they will explore scientifically the possibilities of the films, both for teaching the healing arts to the students of medicine, and for reaching the general public.

NO "SATURATION POINT"

It is impossible now to even think of the "saturation point" for motion pictures. To draw the line on "a picture a day" would be, to say the least, meaningless. With health, education, government, recreation, religion, and entertainment all making their appeals and rendering their services through this medium, it can hardly fail to become as universal an experience as reading from the printed page. It does not seem extravagant to prophesy that the motion picture will come to be regarded almost as necessary to healthful living as the food which the people eat and the clothes they wear.

The industry behind all this, promises to be and will long continue as one of the most serviceable to mankind. In turn it cannot fail to afford a field of unsurpassed opportunity for investment.

A SOUND BASIS FOR FINANCING

THE MOTION PICTURE industry has passed through its experimental period. There has been no perceptible slowing down in its money-making possibilities, but the decade since 1914 (the advent of big feature programs) has seen this industry take giant form, and shape itself along accepted lines of business organization. Production has been systematized during this period until the making of a picture today in one of the great studios is an impressive example of industrial efficiency.

Accounting and other control devices have been worked out to meet situations that were absolutely unique to this industry. The budget system for cost control in film manufacture, has proven now to be as dependable a system of forecasting as one finds in many other industries.

The average man may have been led to believe that pictures of even the large companies are produced on a "hit-or-miss" basis; that a certain amount of money is spent in the mere hope that it will come back when the film is released. On the contrary the important and expensive films are sold in advance at the beginning of the year. Many of these pictures are even contracted for before production starts on them, so the company actually knows fairly well what its return is going to be before the filming gets under way. This being the situation, there is constant progress toward cost control, and budgets become increasingly significant. The money plans for a picture not only prescribe its maximum cost allowances, but they reflect a conservative estimate of its minimum net earning capacity.

The need for better inventory methods, balance sheet standards, and for contract forms which would prove equitable in both directions, long constituted serious problems in this industry. But recently these have been ironed out in an effective way.

One noticeably strong feature of motion picture inventory policy is that the entire value of the films which a company owns is written off its books within twenty-four months of their first release. Approximately 80% of this is charged off during the first year, regardless of what has been earned or the prospects for continued revenue. When it happens that a film has a long earning life, or proves to have re-run value later on, the entire earnings beyond the first two years, aside from distribution costs, are thus seen to be pure profit. In one recent case a film with a successful record five years ago, which was brought out and re-run to the new generation of theatre-goers, netted more than $1,000,000 to its owners. And note that this film had been carried on the books of the company for several years as a nominal asset of but $1.

Scientific management and modern research methods have produced striking results also on the exhibition side of the motion picture industry. One illustration is concerned with that natural seasonal handicap—the falling off of patronage during the hot months of mid-summer. To overcome this, the de luxe houses installed refrigeration plants, and advertised themselves as "the coolest spots in town." This policy completely reversed the situation in some cities, and gives promise of becoming generally successful. Attendance charts for the above places now show an actual bulge in July and August. Moreover, cooling systems have been devised which are finan-

cially available to the small houses, down to 300-500 seating capacity, and in many cases are being installed by them.

STRONG BANKING POSITION

The bankers of the country have given ample testimony within recent years to their belief in the present soundness of this industry. Whereas formerly the business was compelled to depend almost entirely upon its own resources and financial ingenuity, the leading companies are all able now to obtain both commercial and long-term credits on customary trade terms. Numerous large financial undertakings in the motion picture industry have been consummated by financial houses of high standing. Approximately $200,000,000 in motion picture securities have been financed through Wall and LaSalle Streets in the last twenty-four months.

A conspicuous development in financial literature has recently taken place along this line. Stories regarding the business end of motion picture production and distribution are now appearing in leading periodicals with a frequency commonly accorded other industries of leading rank. Both the stocks and bonds of motion picture concerns have been accepted for listing on the New York Stock Exchange and the trading in these securities at the present time bulks into figures of real magnitude.

The motion picture industry has become the beneficiary in recent years of added confidence from many different directions. Local bankers in all parts of the country have come to see that theatre construction on the present large-scale and of the present type is not only good for employment but good for land values in any section of the city. Similarly, they have observed that the location of a de luxe theatre in almost any type of community tends to draw high-class trade and very definitely improves business conditions there.

Independent moneyed men are turning to the motion picture industry. They have long sensed its great earning possibilities, but now in addition, they have observed the results of conservative stabilizing policies such as are reflected in an ever-increasing percentage of fixed assets in the balance sheets of all the great motion picture companies. They have been reassured by the expanding and apparently permanent nature of the industry's foreign trade. They have been impressed by the proven earning capacity of modern theatre buildings; while the sinking fund provisions that are almost invariably a part of a theatre mortgage lend added attractiveness.

Finally, there is a great tribute of public confidence contained in the list of 60,000 individual shareholders of seven motion picture issues now traded on the New York Stock Exchange, and in the ever increasing volume of such bonds which are being absorbed by American investors. Manifestly, the great American public, which enjoys so much the phantasy on the screen, has begun to be thoroughly intrigued by the vision of earnings and profits "behind the screen."

FACTS ABOUT FOUR LEADERS IN THE MOTION PICTURE INDUSTRY

BOND FINANCING in the Motion Picture Industry has been done, for the most part, on the part of subsidiary operating companies, rather than by the parent organizations. It is of primary importance to the purchaser of such bonds, therefore, to know something of the background of his investment, so as to pass intelligent judgment on the obligations of individual operating companies in either the producing or exhibition end of the business. If in addition to its own investment merits, the bonds of the issuing company have back of them the broad experience and strong financial resources of a capable, well financed controlling corporation, operating not merely in the one phase represented by the particular issue, but in the other major branches of the industry as well, naturally its investment qualities are greatly enhanced.

In the Motion Picture Industry, as in other industries which have been tending more and more toward concentration of control, the able administrative talent of the parent organization, the economies of large-scale operations, the advantages of integration generally, to say nothing of the financial stability resulting from the larger resources of the controlling company, provide marked advantages to the investor in the obligations of subsidiary companies, no less than to the operating units themselves.

The brief summary following includes four of the major factors in the Motion Picture field. It is not intended as a presentation of all the leaders, nor are the individual summaries intended as exhaustive statistical studies. The figures will serve, however, as a brief synopsis of pertinent information providing the general background necessary to a proper consideration of the merits of bond offerings of the subsidiary companies of the organizations specifically discussed.

PARAMOUNT FAMOUS LASKY CORPORATION

THE CORPORATION, directly or through subsidiary companies, is engaged in all three phases of the motion picture business; production, distribution, and exhibition. It produces all types of motion pictures, including, among others, the largest and most expensive pictures made, known as road show pictures; feature pictures featuring well known stars and directors, which type of picture constitutes the backbone of the ordinary program of a motion picture theatre; comedies, novelties, and news reels. It produces its super-specials and feature pictures in its studios located in Hollywood, California. To facilitate preparation of its news-reels, a new laboratory is being constructed in New York. Among its recent well known productions are "The Ten Commandments," "The Rough Riders," "Beau Geste," and "Old Ironsides."

In addition to its production activities, it distributes to the theatres of the country the pictures which it produces, together with a number of pictures produced by others, which, or the exclusive right to distribute which, it has acquired. The pictures distributed by the Corporation are known as "Paramount Pictures." To accomplish the physical distribution of the pictures and accompanying advertising matter, the Corporation maintains branch offices in more than forty of the principal cities of the United States, and in most of the principal cities abroad and in Canada.

The Corporation, by means of subsidiary companies, is also engaged in the business of operating a considerable number of motion picture theatres, located principally in the United States and Europe. Some of these theatres it owns, some it leases, and some it manages under operating contracts. These theatres are operated as a circuit by means of various branch offices under the control of a central office. As a part of the business of operating its theatres, the Corporation not only exhibits pictures produced and distributed by it, but to meet its extensive requirements, large numbers of the pictures produced by its competitors as well. As a part of the business of operating its theatres, it is also engaged in the business of creating, recruiting, and producing musical and other novelty productions, which are given in its motion picture theatres as a part of the programs presented to the public.

Included among the theatres owned or operated through subsidiary companies are the Paramount, Rivoli, Criterion and Rialto Theatres at New York City, Metropolitan in Boston, Chicago, Tivoli, and Uptown in Chicago, Palace in Dallas, Howard in Atlanta, Metropolitan and Million Dollar in Los Angeles, the Ambassador and Missouri Theatres at St. Louis, Newman in Kansas City, Florida in Jacksonville, and Olympia in Miami, and others. The Corporation owns, through a subsidiary, Paramount Broadway Corporation, the fee to the land on the west side of Broadway, between 43rd and 44th Streets, New York City, on which is located a thirty-one story office building, known as the Paramount Building, and in which are located the Paramount Theatre and the Company's headquarters.

CAPITALIZATION

Classes	Par Value	Authorized by Charter	Authorized for Issuance	Issued and Outstanding
Preferred Stock	$100	$20,000,000	$10,000,000	$7,745,000*
Common Stock	No par	1,000,000 shares	649,207 shares‡	574,871 shares†

*$2,255,000 redeemed through sinking fund or converted into Common Stock.
†Includes outstanding scrip, subscription receipts, etc.
‡Includes 74,336 shares reserved for exercise of conversion privilege.

The Corporation has no funded debt.

Profits of the Corporation, after depreciation, interest, and Federal taxes were as follows: 1922—$4,105,871.95; 1923—$4,240,668.93; 1924—$5,421,214.04; 1925—$5,718,053.85, and 1926—$5,600,815.71.

DIRECTORS

Eugene J. Zukor, Sam Katz, Ralph A. Kohn, Herman Wobber, Adolph Zukor, Jesse L. Lasky, William H. English, Felix E. Kahn, Casimir I. Stralem, Frank Bailey, Frank A. Garbutt, Elek John Ludvigh, Emil E. Shauer, Sir William Wiseman, Jules E. Brulatour, Daniel Frohman, Sidney R. Kent, John Cecil Graham, Albert A. Kaufman.

FOX FILM CORPORATION
FOX THEATRES CORPORATION

Fox Film Corporation was incorporated February 1, 1915 by Mr. William Fox and associates. Although not the direct successor of any other company, its managers were men who had been identified with the motion picture industry since 1904. The Corporation manufactures motion pictures and distributes them by sale and lease throughout the United States and abroad. The Fox Organization is a complete unit in the motion picture industry, including production, distribution, and exhibition. Its films include a high type of feature pictures, two-reel comedies, one-reel educational pictures, and twice a week news-reels. While producing all of the major types of films, the Fox Organization is turning increasingly toward the higher type of pictures, with the result that three of its releases in 1926 were mentioned among the 40 outstanding pictures of the year. Some of its recent releases are "What Price Glory," "Seventh Heaven," "The Music Master," "The Iron Horse."

Complete facilities for producing motion pictures, including studios, laboratories and their numerous related activities are located in Los Angeles and New York. These include three fully equipped studios, one at Hollywood comprising thirteen acres of land, another at Fox Hills, embracing 100 acres and a third in the Fox Office Building, New York. The Fox Case Corporation, in which the Fox organization has a substantial interest, owns the Movietone, an improved adaptation of the talking movies, which gives promise of being a valuable asset.

Distribution is effected through its world wide organization, in the development of which Fox Film Corporation has expended over $5,000,000 though carried on the books at only $1.00. About 30% of the Company's business is outside of the United States.

Fox Theatres Corporation is the "retail" division of the Fox Organization. It has no direct connection with Fox Film Corporation aside from the fact that both organizations are controlled by Mr. William Fox and associates. Naturally, however, Fox Film Corporation productions of all kinds are assured of a ready reception in the Fox Theatres. The Corporation directly or through subsidiaries operates twenty-three theatres, eighteen in New York and the surrounding area, two in Denver, and one each in Detroit, Buffalo, and Springfield, Massachusetts, and also owns real estate and buildings in New York, Brooklyn, Denver, and other cities. Through recently acquired control of Roxy Circuit, Inc., Fox Theatre Corporation now controls the internationally famous Roxy Theatre of New York City. It is planned to erect a group of so-called "super-theatres" in the principal cities of the United States. Construction work has already been started on six theatres, having a seating capacity of approximately five thousand each and early construction of additional theatres of the same type is contemplated in New York City, Newark, Boston, Kansas City, Philadelphia, and Los Angeles.

CAPITALIZATION

FOX FILM CORPORATION

Common Stock	Shares	Par Value
Class "A"	400,000	No Par
Class "B"	100,000	No Par

FOX THEATRES CORPORATION

Common Stock	Shares	Par Value
Class "A"	800,000	No Par
Class "B"	100,000	No Par

Neither Corporation has funded debt nor preferred stock outstanding.

Net profits, as certified by independent auditors, for the five years ended December 25, 1926, after deducting interest, depreciation and all charges, available for Federal taxes and dividends, averaged annually $2,220,064.03. For the three months ended March 26, 1927, such earnings were reported as $857,983.10.

DIRECTORS

William Fox, J. G. Leo, W. R. Sheehan, S. E. Rogers, C. S. Levin, N. King, and J. W. Loeb.

Net profits, as certified by independent auditors for the 52 weeks ended Oct. 31, 1926, after deducting interest, depreciation and all charges, available for Federal taxes and dividends, were $757,651.04. This reflects no return from investment in theatres now being constructed in Brooklyn, Washington, D. C., Detroit and St. Louis.

DIRECTORS

William Fox, S. E. Rogers, M. J. Schwartz, C. S. Levin, J. G. Leo, J. W. Loeb, Herbert Leitstein, W. B. F. Rogers, and William Freid.

LOEW'S INCORPORATED

Loew's Incorporated is one of the largest and most important factors in each of the three divisions of the motion picture industry—production, distribution, and exhibition of films. In the production end of the business it controls—through ownership of all the common stock of Metro-Goldwyn Pictures Corporation (producers and distributors of Metro-Goldwyn-Mayer Pictures, recent examples of which are "The Big Parade," "Ben Hur," "The Scarlet Letter," and "The Merry Widow")—one of the leading motion picture producing companies in the world.

It is the policy of the company to produce a limited number of outstanding and important productions, employing the best directors and stars obtainable. It has recently entered the short feature field through the acquisition of comedies produced by the Hal Roach Comedy Organization and the M. G. M. News-reels produced by the Hearst organization. Metro-Goldwyn productions are distributed by its own organization in practically every part of the United States and in a large number of foreign countries.

In the exhibition field, Loew's Incorporated and its subsidiary companies own, lease, or control a chain of more than one hundred and sixty theatres throughout the world, with fifteen additional theatres in the United States now under construction or planned. The entertainment provided by the Loew theatres has been successfully adapted to the popular demand, offering both motion pictures and a combination of motion pictures and vaudeville, at popular prices.

The Loew organization is the outgrowth of the amusement enterprises founded and successfully operated by Marcus Loew and associates since 1905. Loew's Incorporated, formed in 1919, has shown substantial and consistently increasing profits in each year since its organization. The consolidated net income of the Corporation, and its subsidiary and affiliated companies, after taxes and depreciation and before dividends, was as follows for the five-year period ending August 31, 1926: 1921, $1,800,550; 1922, $2,267,871; 1923, $2,415,489; 1924, $2,949,053; 1925, $4,708,631; 1926, $6,388,200.

For the purpose of distributing its productions, Metro-Goldwyn-Mayer maintains branches in 32 cities in the United States, and offices in eighty-five cities in forty foreign countries.

On the exhibition side, Loew theatres, owned or controlled, include 55 in the greater New York area, 38 in 28 other American cities, and 4 in Canada, with 15 additional theatres under construction, or planned. The International Department of Metro-Goldwyn-Mayer also operates 63 foreign theatres, 41 of which are in South America, 12 in France, 5 in Belgium, and 5 in Egypt. The annual attendance figures at Loew theatres in the United States in 1925 were 75,570,584; in 1926, 84,400,573.

CAPITALIZATION

(As of Aug. 31, 1926)

STOCKS

Classes	Par Value	Authorized by Charter	Issued and Outstanding
Common	No par	4,000,000 Shs.	*1,060,780 Shs.

The Corporation has no preferred stock.

*Also 105,000 shares held in reserve against exercise of stock purchase warrants; 75,000 shares against stock purchase warrants originally attached to the debentures, due April 1, 1941, and 30,000 shares against detached stock purchase warrants.

FUNDED DEBT

	Outstanding
15-Year Sinking Fund Gold Debenture 6s, Due April 1, 1941.	$14,500,000

DIRECTORS

David Bernstein, William Hamlin Childs, William C. Durant, Marcus Loew, Arthur M. Loew, David L. Loew, William A. Phillips, Daniel E. Pomeroy, Nicholas M. Schenck, Charles M. Schwab, Lee Shubert, David Warfield.

UNIVERSAL PICTURES COMPANY, INC.

Universal Pictures Co., Inc. was incorporated January 15, 1925, in Delaware to acquire the entire outstanding capital stock of Universal Pictures Corporation. The original business was established in 1909 as the Imp Films Co., and in 1912 its assets and those of certain others were combined into Universal Film Mfg. Co., which later became Universal Pictures Corporation. Universal Pictures Corporation and its subsidiaries are engaged in the production, distribution, and exhibition of motion pictures.

The Company produces and distributes a completely diversified line of pictures which cover a wide range of appeal, from the Serials and Westerns displayed in the popular 10, 20, and 30 cent theatres to super-features, such as "The Hunchback of Notre Dame," "The Phantom of the Opera," and "Merry Go-Round." The diversity of films distributed is indicated by the 1927-1928 schedule now in production, which is as follows: Super-features 10, Jewel Features 33, Five-Reel Westerns and Thrillers 22, Short Westerns and Comedies 147, Serials 5, News Reels 104.

In 1925 Universal made an agreement with UFA, the leading film producing company in Germany, whereby Universal will have the privilege of releasing ten films each year, of which at least two will be of the super-feature type, in UFA's chain of theatres for a period of five years, with option of renewal for an additional five years. UFA operates the leading motion picture theatre chain in Germany with a large number of houses throughout the country. In addition, Universal films will be marketed as formerly in other German distributing centers. Concurrently, announcement was made of an arrangement with Paramount Famous Lasky Corporation and Metro-Goldwyn-Mayer, whereby nine of Universal's films will be given first-run showings in Broadway houses operated by these companies. In addition to its own pictures, the Corporation distributes news reels produced by the International News Reel Corporation, two-reel "Century" comedies, and pictures produced by other organizations.

The distributing organization in the United States and Canada includes 38 wholly owned exchanges, two partly owned exchanges, and one independent distributing company. The company distributes abroad through 25 main offices, 61 sub-offices, and one agency. Over 30% of its 1926 gross earnings were derived from the foreign field.

The company owns a studio at Universal City, California, consisting of 230 acres of land, and 266 permanent buildings. At Fort Lee, N. J., the company owns approximately four acres of land upon which are a laboratory, studio, film vaults, etc. At this plant there are printed, developed, and shipped an average of 1,600,000 feet of film per week.

CAPITALIZATION

	Par Value	Authorized	Outstanding
8% 1st Preferred	$100	$3,000,000	$2,768,600
7% 2nd Preferred	100	4,000,000	2,000,000
Common	No Par	250,000 shares	250,000 shares

The Company has no funded debt.

Net profits, after Federal taxes, for the last six years are as follows: November 12, 1921, $634,334; November 11, 1922, $924,859; November 10, 1923, $1,266,763; November 8, 1924, $1,785,011; November 7, 1925, $1,925,506; November 6, 1926, $1,968,089.

DIRECTORS

Carl Laemmle, R. H. Cochrane, P. D. Cochrane, E. H. Goldstein, C. B. Paine, Leonard Kennedy, Helen E. Hughes, Paul Shields, O. C. Bindere.

Universal Pictures Company, Inc. is closely affiliated with Universal Chain Theatres Corporation, which controls (wholly or in part) or operates, 273 motion picture theatres well-located throughout the country, and in addition has 20 theatres under construction. On completion of the latter, the combined seating capacity of all controlled theatres will aggregate in excess of 256,000. In addition to Universal Chain Theatres the Universal Pictures Company, Inc. operates 15 large theatres in the leading cities for exploitation purposes. The Colony Theatre on Broadway will be added to this group on September first of this year.

SUMMARIZING—

Why Well Chosen Bonds

in the

MOTION PICTURE INDUSTRY

Are Deserving of the Investor's Confidence

1. *A BASIC INDUSTRY*—the demand for entertainment and recreation is instinctive and universal.
2. *A PRODUCT WITHIN THE REACH OF THE MASSES*—The motion picture satisfies this universal demand for entertainment at prices within the reach of all.
3. *AN EXPANDING MARKET*—Improvements in both the production and exhibition phases of the industry have produced, and give promise of continuing to produce, substantial annual gains in theatre attendance.
4. *FIRMLY ENTRENCHED*—American films dominate the world markets, and are so entrenched as to be able to meet successfully all competition.
5. *WELL ORGANIZED AND INTEGRATED* — production, distribution, and exhibition are generally well coordinated.
6. *CAPABLY MANAGED*—concentration of control provides the usual advantages of large-scale production, one of the most important of which is sound, able management.
7. *CONSTANT EARNINGS*—demand in the exhibition field varies little in dull times; seasonal fluctuations are being steadily eliminated.
8. *A CASH BUSINESS*—in both the exhibition and production ends, the product is largely paid for as delivered.
9. *SUBSTANTIAL FIXED ASSETS*—largely in real estate; about five-sixths of the total investment of the industry is in theatre properties, mostly in important business centers where land values are well stabilized or increasing.
10. *ATTRACTIVE YIELDS*—being a new industry, yields are somewhat more attractive than in older and more conventional investment fields.

May 27, 1927. Statements herein, while not guaranteed, are based on information regarded as reliable.

PRINTED IN U. S. A.
LINCOLN PRINTING COMPANY, CHICAGO

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